

RESOLUTION NO. 2001-176

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING  
REVISION IN THE MARKET COST ADJUSTMENT SCHEDULE

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WHEREAS, as recently as two months ago there were dire predictions of blackouts for up to every third day this summer. In order to provide reliable and un-interruptible power to it's customers in the face of possible blackouts, the City of Lodi's Electric Utility Department (EUD) purchased power resources within the last six months to have excess power supply available. At that time the value of this excess capacity was projected by NCPA and others to have a value of up to \$400/Mwh through the end of this calendar year. The EUD entered into contracts at levels between \$120 to \$170 per Mwh which saved the City over \$12,000,000.00 compared to exposure to the spot market last winter; and

WHEREAS, the power markets have changed radically in the last two months due to price caps imposed by the Federal Energy Regulatory Commission (FERC) on June 19, 2001. Wholesale market prices applicable to Northern California have dropped significantly since the price cap policy has been in effect. Spot market prices for on-peak power have generally ranged from \$200 to \$400 per Mwh this calendar year through early June 2001 for Northern California delivery. Prices for the last two weeks have been on the order of \$50 to \$80 per Mwh. With these new price caps in place, it appears that prices (spot and forward) will hold at \$90 or lower. Given the contract purchases by EUD are above these levels for the remainder of this calendar year, there is a significant increase in the EUD's power costs which require the MCA to be revised upward. Beginning in 2002, the EUD has power contracts on the order of \$65, which may afford the ability to revise the MCA downward; and

WHEREAS, Lodi is not alone in facing new rate increases. Intervention by FERC in the power markets and the continuing effects of the PG&E bankruptcy have driven up the costs of most NCPA members. Palo Alto has recently raised their rates in excess of 40 percent and Roseville has announced a proposed increase of up to 20 percent. Lodi's proposed MCA raises system average rates between 15 and 20 percent compared to current levels. Lodi's rates, as proposed, will maintain an estimated 30% advantage over PG&E's current rates; and

WHEREAS, the Electric Utility Department staff will continue to explore other means of reducing both bulk power and operating costs. A full report and review of the MCA will be scheduled for a Council meeting in October.

NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council does hereby authorize a revision to the Market Cost Adjustment (MCA) Schedule attached as Exhibit A.

Dated: July 18, 2001

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I hereby certify that Resolution No. 2001-176 was passed and adopted by the Lodi City Council in a regular meeting held July 18, 2001 by the following vote:

AYES: COUNCIL MEMBERS – Hitchcock, Howard, Land and Mayor Nakanishi

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – Pennino

  
SUSAN J. BLACKSTON  
City Clerk



# CITY OF LODI

## ELECTRIC UTILITY DEPARTMENT

### SCHEDULE MCA

### MARKET COST ADJUSTMENT

#### APPLICABILITY:

When in effect, this schedule is applicable to all areas served by the City and to all kilowatt-hours billed under all rate schedules as defined under the special conditions of the rate schedules labeled Purchased Power Adjustment. Generally, power supply costs will be recovered through application of the base rates. In the event that substantial changes in projected power supply costs occur, either increases or decreases, the Market Cost Adjustment will be activated to provide for increases or decreases in the City's charges for electric service.

#### Rates:

The Market Cost Adjustment (MCA) is applied to specific classes as a cents per kWh charge by a Market Cost Adjustment Billing Factor (MCABF). For some classes, the MCA may be zero. The following schedule provides the MCABF by class.

MARKET COST ADJUSTMENT BILLING FACTOR		
The Market Cost Adjustment Billing Factor by designated rate schedule, in cents per kilowatt-hour, shall be shown in this Section. Certain classes may have a tiered MCABF by level of monthly consumption.		
Class	Cents per kWh	Date Effective
EA, EE under 300 kWh	2.5	August 1, 2001
EA, EE 301 to 600 kWh	3.5	August 1, 2001
EA, EE above 600 kWh	4.5	August 1, 2001
ED, EF	0	August 1, 2001
EM	0	August 1, 2001
EL	0	August 1, 2001
G1	3.0	August 1, 2001
G2	3.0	August 1, 2001
G3	1.9	August 1, 2001
G4	1.9	August 1, 2001
G5	1.3	August 1, 2001
I1	0	August 1, 2001